

## **DETROIT GENERAL RETIREMENT SYSTEM UNDER THE PLAN OF ADJUSTMENT**

### **FREQUENTLY ASKED PENSION QUESTIONS FOR ACTIVE GENERAL RETIREMENT SYSTEM (“GRS”) EMPLOYEES**

#### **Q1 – What happens when my GRS pension is “frozen” on June 30, 2014?**

**A1 –** Your accrued pension benefit under GRS will be calculated as of June 30, 2014. The System will look at your Years of Service and your Average Final Compensation (AFC) as of June 30, 2014, and will then calculate your pension as of that date: Years of Service x AFC x the existing Pension Multiplier. The resulting pension amount will then be fixed or “frozen”, meaning that it will not increase in the future under this formula, even if you continue to work for the City after June 30, 2014. Your frozen pension benefit also is subject to adjustment under the Plan of Adjustment. Your accrued pension benefit as of June 30, 2014 - reduced as provided - in the Plan of Adjustment is called your “Old GRS Pension” in this FAQ.

Your Old GRS Pension will be payable to you under the same payment rules that apply to you currently. That is, when you reach 30 years (or 25 years, if applicable) of service, you can retire immediately and begin receiving payment of your Old GRS Pension. You DO NOT have to wait until age 62 to receive payment of your Old GRS Pension.

Any additional pension amount that you earn for your years of service with the City after June 30, 2014 will be calculated under the “New GRS Pension” program, which is described below in Q&A 4 and Q&A 5.

#### **Q2 – If I am employed with the City on June 30, 2014 but I have less than 10 years of service, will I lose all my right to a pension under GRS when GRS is frozen?**

**A2 –** NO. If you continue to work for the City until you have 10 or more years of service, you will become vested in your Old GRS Pension. If you leave the City after June 30 2014 and before you have 10 years of service, you will lose your right to receive a pension under GRS.

#### **Q3 – If I am not employed with the City on June 30, 2014 and I had less than 10 years of service when I left, can I return to work and grow into a pension under the Old GRS Pension?**

**A3 –** NO. If you are not a City employee on June 30, 2014, and you had less than 10 years of service when you left, you will lose your right to receive a pension under GRS when GRS is frozen.

#### **Q4 – When will the “new” GRS plan be effective?**

**A4 --** The new GRS plan (“New GRS Pension”) will be effective as of July 1, 2014. The pension you earn for your service on and after July 1, 2014 will be determined under the rules of the New GRS Pension. You should be aware that the rules governing eligibility for payment of your New GRS Pension are different from the existing rules that govern how your Old GRS Pension will be paid. But these new payment rules will only apply to how your New GRS Pension is paid. They do not impact how your Old GRS Pension is paid.

**Q5 -- How is the pension benefit calculated under the New GRS Pension plan?**

**A5 --** The benefit formula under the New GRS Pension plan is 1.5% of your Average Final Compensation per year of Credited Service.

Your Average Final Compensation is the average of your base compensation over your last consecutive 10 years of employment with the City (or the average over the number of years you are employed with the City, if you are employed fewer than 10 years).

You will earn 1/12<sup>th</sup> of a year of Credited Service under New GRS Pension for each month in which you work 140 hours for the City.

**Q6 -- If I continue to work for the City after June 30, 2014, will I be covered under the New GRS Pension plan or is that plan only for newly hired City employees? If I am covered under the New GRS Pension plan, how will my benefits from GRS be calculated and when will they be paid?**

**A6 --** The New GRS Pension is not just for newly hired employees. If you are a current employee and you continue to be employed by the City after June 30, 2014, you will begin to earn pension benefits under the New GRS Pension plan effective July 1, 2014. If you work for the City both before and after July 1, 2014, you will receive two pension benefits:

*Your Old GRS Pension benefit* - This pension benefit will be payable to you under the rules of the Old GRS Pension plan; and

*Your New GRS Pension benefit* - This pension benefit will be paid in accordance with the rules of New GRS.

**Q7 -- If I have been with the City for 15 years and I resign before June 30, 2014, will I lock in my current pension multiplier?**

**A7 --** There is no advantage associated with resigning before June 30, 2014. Your current multiplier is locked in for purposes of determining your frozen accrued benefit under GRS, whether or not you resign before June 30, 2014.

**Q8 -- When can I retire under the Old GRS Pension and receive my Old GRS Pension benefits?**

**A8 --** You can retire under the Old GRS Pension and receive your pension on the date you would have been entitled to retire and receive a pension if benefits under GRS had not been frozen. For most employees, that occurs upon completion of 30 years of service. For purposes of determining whether you can receive a pension under the Old GRS Pension, your service with the City both before and after June 30, 2014 will be counted. Your full pension, however, will be reduced as provided for under the terms of the Plan of Adjustment.

*Example 1:* Mr. Jackson is age 53 and has 24 years of service as of June 30, 2014. His Old GRS Pension, reduced in accordance with the Plan of Adjustment, is \$24,000 per year. If he terminates employment on June 30, 2014, Mr. Jackson will not be eligible to receive his pension. But if he continues to work at the City for six (6) more years, and then terminates

employment on June 30, 2020, Mr. Jackson will have 30 years of service and he will be eligible to receive his \$24,000 per year pension.

**Q9 – When can I retire under the New GRS plan and receive a full pension?**

**A9 –** You must wait until you reach age 62 to retire and receive a full pension from the New GRS Pension, unless you are age 53 or older on July 1, 2014. In that case, you can receive your full pension at the ages set forth below:

<u>Age as of July 1, 2014</u>	<u>Normal Retirement Age</u>
61 years	60 years and 0 months
60 years	60 years and 0 months
59 years	60 years and 3 months
58 years	60 years and 6 months
57 years	60 years and 9 months
56 years	61 years and 0 months
55 years	61 years and 3 months
54 years	61 years and 6 months
53 years	61 years and 9 months

*Example 2:* Mr. Jackson, from Example 1 above, is age 53 and has 24 years of service as of June 30, 2014. As explained in Example 1, if he terminates employment on June 30, 2020, he will be eligible to receive his \$24,000 per year Old GRS Pension. Assume that as of June 30, 2020, Mr. Jackson is age 60 and 9 months. Also assume that Mr. Jackson has accrued an additional \$4,500 annual pension under the New GRS Pension plan. Because, under the chart above, he needs to be age 61 and 9 months in order to receive his full pension under the New GRS Pension plan, Mr. Jackson will need to work another year 6 until he is age 61 and 9 months, to receive his full New GRS pension, by which time it has grown to \$5,400 per year. If he retires on June 30, 2021, Mr. Jackson will receive a pension of \$29,400 (\$24,000 + \$5,400).

*Example 3:* Mr. Jackson, from Examples 1 (Q&A 8) and 2 above, chooses to retire on June 30, 2020. He does not wait another year until June 30, 2021. Can he receive any portion of the \$5,400 he earned under the New GRS Pension plan? Yes, because under the New GRS Pension plan, he can receive an actuarially reduced pension at age 55 with 30 years of service. Thus, if Mr. Jackson chooses to retire on June 30, 2020, he will receive, in addition, to his full \$24,000 Old GRS Pension benefit, the actuarially-reduced portion of his \$4,500 New GRS Pension benefit.

**Q10 – If I am 50 years old with 27 years of service, do I have to work all the way to age 62 in order to retire and receive my Old GRS pension?**

**A10 –** NO. You do not have to wait until age 62 to retire. When you reach 30 years of service in 3 years, you may retire from City employment and begin to receive payment of your Old GRS Pension. You will have to wait until you are age 62 to begin receiving payment of your pension benefit under the New GRS Pension.

Example 4: Ms. Jones is age 50 with 27 years of service. As of June 30, 2014 she has earned a \$27,000 frozen pension, as modified under the Plan of Adjustment. Ms. Jones

works three more years. During those three years, she earns an additional \$2,000 pension under the New GRS Pension plan. Ms. Jones retires on June 30, 2017, at which time she has 30 years of service. At that time she can begin to receive her \$27,000 per year pension, but not her additional \$2,000. However, when Ms. Jones turns age 62 in 2026 she can then begin to draw her \$2,000, thus at that point, receiving a \$29,000 annual pension.

**Q11 -- If I retire on or before June 30, 2014, what compensation and years of service will count for purposes of calculating my pension under the Old GRS?**

**A11 --** If you retire on or before June 30, 2014, your compensation and years of service will be determined as of the date of your termination of employment with the City.

**Q12 -- If I retire on or after July 1, 2014, what compensation and years of service will count for purposes of calculating my pension under the Old GRS Pension?**

**A12 --** If you retire on or after July 1, 2014, your compensation and years of service as of June 30, 2014 will be used for purposes of calculating your pension under the Old GRS Pension.

**Q13 - What happens to my GRS benefit if I am already vested under the GRS but I left the City?**

**A13 --** If you were vested in your GRS benefit when you left the City, your Old GRS Pension will be determined under the GRS benefit formula in effect on the date your employment terminated, based on your compensation and years of service on that date.

**Q14 -- When will the mandatory employee contributions to the New GRS Pension plan begin?**

**A14 --** Under the New GRS Pension plan, you are required to contribute 4% of your annual pay to New GRS Pension to help pay for your pension benefits. Your mandatory contributions will begin with the first paycheck in July 2014, based on your pay earned on and after July 1, 2014. These contributions will be made on a pre-tax basis, meaning that you will not pay federal or state income taxes on the amounts contributed to the New GRS Pension.

**Q15 -- Can I still make voluntary employee contributions to the Annuity Savings Account under the New GRS Pension plan?**

**A15 -- YES.** You may still contribute a portion of your annual pay to the annuity savings account. Such contributions will be made on an after-tax basis. Interest will be credited at the actual net earnings rate on the assets of GRS; however, the earnings rate will never be less than 0% or greater than 5.25%. For example, if the actual net earnings rate of GRS is 4.2%, your annuity savings account would be credited with interest at the rate of 4.2%. If the actual net earnings rate is -4.2% (a loss), your annuity savings account will not be reduced to take the 4.2% loss in value into account. If the actual net earnings rate is 6%, your annuity savings account will be credited with interest at the rate of 5.25%.

**Q16 -- Will all of my years of service with the City (even those credited before July 1, 2014) be counted under the New GRS Pension plan?**

**A16 --** As noted above, for benefit accrual purposes only your years of service with the City on and after July 1, 2014 will count.

For purposes of determining whether you are vested in your benefit under the New GRS Pension and whether you have enough years of service to meet the eligibility requirements for receiving a benefit, total service with the City will be counted.

**Q17 -- Can I avoid any reductions to my GRS pension or annuity savings account made in connection with the Plan of Adjustment by resigning or retiring before June 30, 2014?**

**A17 --** NO. Retirees are also subject to any reductions that will be made in connection with the Plan of Adjustment.

**Q18 -- Can I avoid any reductions to my GRS pension or annuity savings account by resigning or retiring before the Bankruptcy Court approves the Plan of Adjustment?**

**A18 --** NO. Any adjustments made to GRS benefits in the Plan of Adjustment will apply to all current members who are entitled to receive a benefit from GRS even if they are not employed with the City when the Bankruptcy Court approves the Plan of Adjustment.

**Q19 -- If I retire from the City on June 30, 2014 and receive a lump sum payout of my unused vacation time on or after that date, will the payout be counted as compensation for calculating my pension under the Old GRS Pension?**

**A19 --** NO. If you retire from the City on or **prior to** June 30, 2014 and receive a lump sum payment of your unused vacation time on **or after** June 30, 2014, the amount paid will not be counted as compensation under the Old GRS Pension. Furthermore, lump sum payment of unused vacation time will not count as eligible compensation for purposes of calculating pension benefits earned under the New GRS Pension, regardless of when paid.

**Q20 -- If I am vested under the Old GRS Pension and I decide to resign, will I continue to receive interest on my annuity savings account balance if I choose to leave it in the Old GRS Pension?**

**A20 --** YES. If you resign your position with the City and you leave your annuity savings account balance in the Old GRS Pension, your annuity savings account will continue to be credited with interest. Beginning July 1, 2014, the interest credit for annuity savings account balances will be the actual net earnings rate of the assets of the Old GRS Pension; however, the earnings rate will never be less than 0% or greater than 5.25%. For example, if the actual net earnings rate of the Old GRS Pension is 4.2%, your annuity savings account would be credited with interest at the rate of 4.2%. If the actual net earnings rate is -4.2%, your annuity savings account will not be reduced to take the 4.2% loss in value into account. If the actual net earnings rate is 6%, your annuity savings account will be credited with interest at the rate of 5.25%.

**Q21 -- I put in my paperwork to retire on June 30, 2014 but now I've changed my mind. What do I do now?**

**A21 --** You can revoke your election to retire or resign within 30 days of your election by coming into the Human Resources Payroll office between the hours of 8 a.m. and 5 p.m., Monday through Friday.